

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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To: Dr. Suellen Reed
Superintendent of Public Instruction

Debra Hineline, Director
Office of Financial Management, Analysis and Reporting
Department of Education

From: Cheryl Musgrave, Commissioner *CWM*
Department of Local Government Finance

CC: Ryan Kitchell, Director
Office of Management and Budget

Christopher Ruhl, Director
State Budget Agency

Re: 2008 Provisional Target Tax Rate

In the 2007 budget bill, the General Assembly established a target property tax rate for the calendar year 2008 school funding formula. One key input necessary to set the target rate was an assumption of the growth in net assessed values. Because the extent of growth in assessed values was unknown during the 2007 Session of the General Assembly, a provision was included directing the Department of Local Government Finance (Department) to adjust the target tax rate in the school funding formula, up or down, after assessed values became known. This adjustment sets the mix between state and local funding for the school general fund at approximately the same proportions planned and passed by the General Assembly. This provision, found at IC 20-45-3-6, provides for the adjustment of the target property tax rate for the 2008 school tuition support formula using the best information available.

Certified assessed values are provided to the Department by counties. This information is statutorily due August 1 of each year. As of December 31, 2007, no county has provided the Department with the 2008 certified assessed values on which to base an adjusted target property tax rate. Ideally, 2008 certified assessed values would be known and could be compared to final 2007 assessed values to determine growth. Since 2008 assessed values are entirely lacking, the Department reviewed final assessed values for 2007 to determine the threshold question of

whether an adjustment to the target rate set during Session was necessary. The rate set during Session only included partial 2007 assessed values. Given that a majority of 2007 assessed value figures are now known (including trending data), the Department has determined that an adjustment to the target tax rate is necessary in the 2008 school tuition support formula based on 2007 final assessed values.

Additionally, to account for anticipated growth in 2008 assessed values, the Department estimated growth above 2007 final values based on the following: Historical structural assessed value growth plus an estimate of assessed value growth from March 1, 2006 to March 1, 2007 due to annual adjustments ("trending").

Based on this information, the Department is prepared to issue a provisional target property tax rate for the 2008 school tuition support formula for use by the Department of Education until better data becomes available and the target rate can be re-certified. This provisional target tax rate is the result of recommendations and reviews by the State Budget Agency, Department of Education and the Department.

The Department sets a provisional rate of \$0.8103 for use in the 2008 school tuition support formula.

Again, this rate is provisional and will be revisited later in the year as better assessed value data becomes available to the Department. This provisional target rate is being set solely for purposes of determining state distributions of tuition support funding to school corporations. Use beyond this purpose should be avoided given the lack of 2008 certified assessed values.